Discussion on Financial Fraud of Agricultural Listed Companies

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Abstract. Under the market economy environment, the fierce market competition causes various kinds of economic frauds to emerge continuously. In order to attract investors better, the agricultural listed companies often make false financial reports and increase their profits by improper financial behavior, which has been seriously affected the steady and healthy development of the national economy. This paper analyzes the motives and methods of fraud of agricultural listed companies, and puts forward corresponding countermeasures, hoping to improve the quality of accounting information and provide some help to curb the phenomenon of fraud in listed companies.

1. Introduction

Because our country's economic development is lagging behind and the market economy mechanism is not perfect, China listed companies' financial fraud phenomenon is very common. The frequent occurrence of fraud in listed companies not only causes certain economic losses to the units and collectives, but also seriously disturbs the normal operation and sound development of the market economy [1].

Agricultural supply chain was complex and consisted of many stakeholders, such as farmers, distributors and retailers [2]. As the leader of the chain of agricultural industrialization, the agricultural listed companies play a direct role in the process of agricultural industrialization in China. However, in order to better protect their own interests, many agricultural listed companies tend to make some false financial statements to conceal or falsely report their financial status. The fraudulent practices of these agricultural listed companies not only affect the investment enthusiasm of investors, but also infringe upon the interests of the vast numbers of investors. The financial fraud cases of well-known enterprises have been exposed in succession, which caused a great shock in the securities market and hindered the normal operation of the market economy. More and more attention has been paid to financial fraud.

2. Current Situation of Financial Fraud in Agricultural Listed Enterprises

The capital market of our country is not perfect either in terms of system or administrative regulations, and there are many disadvantages in the process of development. According to wind data statistics show that Shanghai and Shenzhen A-share markets from 1994 to April 2017 listed companies violations conducted a deep combing, involving 707 listed companies, 1264 cases. Among them, the main board of the financial fraud industry mainly concentrated in manufacturing and agriculture, forestry, animal husbandry and fishery.

2.1 Motivation of Financial Fraud in Agricultural Listed Companies in China

The fraud motives of agricultural listed companies include financing by IPO and SEO, avoiding ST or delisting, and meeting expected performance. China's current agricultural infrastructure is weak,
Despite the national policy support, enterprises are still weak anti-risk ability, the relatively poor performance, and low profit rate, so that in the fierce competition in the market is not dominant. Moreover, the approval system implemented in China's securities market has strict requirements for the performance indicators of listed companies, and is a challenge to the performance of agricultural enterprises. The weakness of agriculture that the agricultural listed companies compared with other industries facing greater financial pressure, which makes it more fraud motivation. The financial fraud of such companies is also influenced by the pursuit of honor and achievement motivation. Agricultural listed companies often play a leading role in the industry, and local governments often play a big role in the process of corporate listing, and even cover up corporate fraud.

2.2 General Methods of Financial Fraud in Agricultural Listed Companies in China

2.2.1 Inflated Assets
Compared with listed companies in other industries, agricultural listed companies are unique in biological assets. Biological assets are living plants and animals, and their value changes are very uncertain. At the same time, the inventory of biological assets is also a difficult problem, which provides operational possibilities for agricultural listed companies financial fraud, especially the use of biological assets and financial fraud, stock of consumptive biological assets not according to the standards provision is made, wanton too high price to increase the value of the inventory fraud. For example, *Shenyang Lantian Co. Ltd.* use ecological ponds, inflated duck, fish and other inventory value significantly increase operating performance, green land will change the performance of 5 times, the reason for the stock of seedlings due to the persistent drought, a large number of deaths.

2.2.2 Inflated Profits
The decentralized mode of operation creates convenience for agricultural listed companies to adopt cash transactions, forge vouchers and tamper with the amount of transactions. For example, *Hefei Fengle Co. Ltd.* forged contracts for sale and cash transactions, inflated revenues of nearly 200 million yuan. To ensure a reasonable proportion of income and cost, some companies choose to falsely transfer their principal operating costs at the same time they make fictitious income, the difficult inventory and difficult valuation of agricultural stocks make the fraud more covert.

2.2.3 The Agricultural Enterprises Have Omission or Misstatement Important Matters Affecting Their Performance, Resulting in Major Omissions
To remove the influence of market environment, the operating performance of agricultural listed companies is greatly affected by the natural environment, therefore, agricultural listed companies should disclose the possible adverse changes in the natural environment so as to remind investors of the risks of investment. But most agricultural listed companies have not been disclosed.

2.2.4 The Use of Related Party Transactions, Improve Fraud Chain Related Party Transactions
*Guangdong Xindadi Biological Polytron Technologies Co. Ltd* had 22 of the top ten customers between 2009 and 2011, and nearly ten of them were linked with it. In order to achieve the purpose of IPO, from 2004 to 2009, the company even directly registered a number of control or master bank account by its actual affiliates, use a bank account control flow of funds, the related party transactions or false purchase contract, invoices and other means of fictitious transaction service, inflated income. These related parties are smaller and scattered, and the relationship of listed companies is complicated and difficult to deal with by conventional procedures, it is difficult to identify, so there will be a great risk of fraud.

2.2.5 Adjust the Result of Fraud with Diversified Management Mode
Agriculture is a weak industry comparative advantage is relatively low, the listed company by the contradiction between profit and low profit industry prompted some agricultural listed companies are derelict in duty and run irrelevant business. *Hefei Fengle Co. Ltd* raises funds to invest in the securities market, and make use of the income from the investment to adjust the sales income, and increase the value of the construction projects at the same time.
3. Countermeasures

3.1 Government Departments Should Optimize the Support Structure for Agricultural Enterprises

The weakness of agriculture has brought great financial pressure to agricultural enterprises, especially when it is facing pressure to issue additional shares. Therefore, the healthy growth of agricultural listed companies needs strong support from the outside world, in which the government plays an important role. The government should optimize the support structure for agricultural enterprises in the right direction.

3.2 Improve the Relevant Accounting Standards, Improve the Relevant Information Disclosure Requirements of Biological Assets

Biological assets are commonly used "breakthrough" of agricultural listed companies in the implementation of financial reporting fraud, and since the implementation of Enterprise Accounting Standard No. fifth -- Biological Assets in China since 2006, the relevant implementation rules have not been improved, and there are many details that need to be improved compared with the actual demand. In addition, biological assets are unique, and the existing information disclosure of biological assets of agricultural listed companies can barely meet the demand of foreign investors for biological assets. Therefore, enterprises should improve the information disclosure of biological assets, reduce between listed companies and investors of agricultural produce due to the asymmetric information of biological assets, protect the interests of investors, and ultimately reduce the agricultural listed company's financial reporting fraud opportunities.

3.3 Ensure the Effective Operation of the External Exposure Mechanism

External exposure mechanism has a good recognition of agricultural listed companies' fraud, so it is very important to ensure its effective operation and prevent agricultural listed companies from fraud. First of all, we should pay attention to the scale construction of accounting firms and promote the consolidation of accounting firms. Secondly, to improve the independence and professional competence of Certified Public Accountants. In addition, the Chinese Institute of certified public accountants should timely emphasize the annual audit risk of agricultural listed companies, and enhance the vigilance of certified public accountants. Finally, improve the regulatory mechanism, increase illegal costs.

3.4 Perfecting Supervision Mechanism

In order to effectively supervise and manage the financial situation of listed companies, the government has set up special supervision organizations to supervise the financial affairs of listed companies. The supervision of regulatory organizations is an effective guarantee to ensure the normal operation of the market economy. The supervision organization should improve the system. We should start with the actual situation of our country, introduce advanced supervision techniques, and raise the level of supervision at the same time, introduce the advanced supervision technology and raise the level of supervision. We can strengthen the supervision of information, set up an early warning mechanism in the regulatory organization, and strengthen cooperation among the various regulatory authorities.

3.5 Improve the Mechanism of the Board of Supervisors

The board of supervisors of the company should have independent supervision function, mainly supervise the financial affairs and the directors at the same time. The members of the board of supervisors should have relevant professional knowledge, such as finance, laws and regulations, to enhance their supervision ability and to improve the efficiency of supervision. The board of supervisors may appoint Certified Public Accountants to inspect the financial situation of the company, thereby realizing the financial supervision responsibility. The board of supervisors has held a provisional shareholders meeting right, once found violations to make certain directors
touched the interests of the company, it can avoid the board of directors held temporary shareholders' meeting, in a timely manner to solve related problems and ensure the healthy development of the company.

4. Conclusion

Compared with other listed companies, the financial fraud behavior of agricultural listed companies has the following three characteristics. First of all, fraud of listed agricultural companies is more serious; secondly, the agricultural listed are inclined to use fictitious sales income, inflated inventory of fraud; finally, the characteristics of agricultural companies lead to fictitious sales income, inflated inventories and inflated land use rights and related fixed assets more easily.

The reason of fraud of listed agricultural companies can be summarized into five factors: the weakness of the industry, the agricultural listed company governance structure is imperfect, biological assets are difficult to measure, the preferential tax policy brings to the agricultural company fraud convenience and exposure mechanism is not perfect. These five factors complement each other and provide the impetus and opportunity for the agricultural listed companies to cheat.

At present, China's market economy is in the stage of development, the various systems and laws and regulations are not perfect, there is no sound regulatory mechanism, making financial fraud in agricultural listed companies is very common. With the continuous deepening of property fraud, it has a strong system and concealment, and the difficulty of identifying true and false is becoming more and more difficult. But false is always false, as long as through in-depth analysis and research, in the end can identify whether the financial reality, and find a reasonable and effective solution.

References
